

## Message Text

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43

ACTION AF-18

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-09 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

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R 191614 Z MAR 73

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 8792

LIMITED OFFICIAL USE LAGOS 2215

E. O. 11652: N/ A

TAGS: EFIN, NI

SUBJECT: NIGERIAN FOREIGN EXCHANGE MARKET CLOSED

REF: LAGOS 1862

1. NIGERIA' S FOREIGN EXCHANGE MARKET REMAINED CLOSED TODAY. A CENTRAL BANK ANNOUNCEMENT GAVE NO PRECISE DATE FOR RESUMPTION OF FOREX SALES, BUT IMPLIED FMG NEEDS A FEW MORE DAYS TO RESPOND TO GROUP OF TEN DECISION TO REOPEN MAJOR EXCHANGE MARKETS.

2. FOR PAST TWO WEEKS LOCAL FOREX MARKET HAS BEEN CLOSED, - EXCEPT FOR SMALL SALES OF BOTH STERLING AND DOLLARS TO COVER SOME IMPORT PAYMENTS DUE TO FOREIGN SUPPLIERS UNDER CURRENT DEFERRED PAYMENTS SYSTEM FOR IMPORTS. FOR THESE FEW TRANSACTIONS CENTRAL BANK ADHERED TO UNCHANGED 1.52 DOLLARS EQUALS ONE NAIRA EXCHANGE RATE AND SET NAIRA- STERLING RATE ON BASIS OF DOLLAR- STERLING RATES PREVAILING IN PRIVATE EUROPEAN CURRENCY TRADINGS.

3. COMMENT: ASSUMING FMG INTENDS TO STICK WITH DOLLAR-NAIRA PARITY SET IN DECEMBER 1971 AND REAFFIRMED A FEW WEEKS AGO WHEN NAIRA FOLLOWED DOLLAR IN DEVALUATION, THERE IS NO REASON NOT TO SELL DOLLAR AT PREVAILING RATE AND SELL STERLING AT RATES SET BY DOLLAR- STERLING  
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TRADING ON EUROPEAN MONEY MARKETS. COMMERCIAL BANKERS ARE PARTICULARLY PERPLEXED AS CENTRAL BANK OFFICIALS HINTED ON MARCH 16 THAT LARGE SALES OF FOREX WOULD TAKE PLACE TODAY. THEY ARE ESPECIALLY MYSTIFIED BY FACT CENTRAL BANK SOLD LIMITED AMOUNTS OF FOREX LAST WEEK AT A TIME WHEN MAJOR EXCHANGE MARKETS WERE CLOSED. NOW, WHILE MAJOR EXCHANGE MARKETS ARE OPEN, NIGERIA HAS CLOSED THE FOREX WINDOW COMPLETELY.

4. IN VIEW OF RECENT EMERGENCE OF MORE VOCAL OPPOSITION TO FEBRUARY 14 FEDERAL EXECUTIVE COUNCIL DECISION TO DEVALUE NAIRA ALONG WITH DOLLAR ( SUMMARIZED REFTEL), POSSIBILITY EXISTS CENTRAL BANK IS DRAGGING FEET NOW UNTIL FEDERAL EXECUTIVE COUNCIL CONFIRMS OR MODIFIES DEVALUATION DECISION.  
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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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